COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4405-01
BILL NO.: HB 2088
SUBJECT: Motor Fuel; Motor Vehicles; Taxation and Revenue-General-Income
TYPE: Original
DATE: March 27, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Unknown)	(Unknown)	(Unknown)
Highway	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on All State Funds	**(UNKNOWN)**	**(UNKNOWN)**	**(UNKNOWN)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal	$0	$0	(Unknown)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**(UNKNOWN)**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	**(UNKNOWN)**	**(UNKNOWN)**	**(UNKNOWN)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation requires that all alternative fuel motor vehicles are to be registered and titled by the Department of Revenue, and will be subject to all motor vehicle fees, including motor vehicle sales tax.

A taxpayer who purchases or leases for at least three years one or more alternative fuel motor vehicles will be eligible for a nonrefundable tax credit equal to 30% of the cost of the alternative fuel motor vehicle purchased, not to exceed $9,000. The credit may be carried forward to the next succeeding five years as long as the taxpayer maintains current registration and license on each alternative fuel vehicle.

This legislation also authorizes a tax credit for a taxpayer who constructs a facility which is available to the public for the purpose of recharging alternative fuel motor vehicles. The tax credit is equal to 25% of the cost of construction of the facility, not to exceed $20,000. The tax credit is nonrefundable, but can be carried forward to the next seven tax years as long as the taxpayer's facility operates continuously through the entire seven year period.

Both tax credits authorized in this legislation will begin January 1, 2001, and expire on December 31, 2005.

DOR staff anticipate the following administrative impact:

Division of Motor Vehicles
The number of alternative fuel vehicles purchased or leased in Missouri is unknown at this time. The Division does not anticipate a large increase in motor vehicle registration and therefore will not request additional FTE at this time. However, an information memo will need to be submitted to the field offices, at a cost of $9,223.

Division of Taxation
The number of taxpayers eligible for these tax credits is unknown at this time. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee ($8.00 an hour) for every 130,000 returns filed (key entry) and one Tax Processing Tech I for every 2,000 credits claimed each year (processing). One Tax Processing Tech I will also be needed for every 3,000 additional pieces of correspondence and every 30,000 additional errors generated by this legislation. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits claimed.

ASSUMPTION (continued)

This legislation will require modifications to the individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, a cost of $41,617. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of $4,498 is requested for implementation costs.

Officials of the **Missouri Department of Transportation (MoDOT)** state this legislation creates an income tax credit for owners of alternative fuel vehicles. Additionally, with the use of alternative use vehicles which have fuel economies in excess of 60 miles per gallon, there will be less gasoline tax received since less gallons of gasoline will be sold for the same number of miles currently driven.

This legislation will be effective August 28, 2000 while the tax credits will become effective January 1, 2001. However, because revenue is not realized until after a full month's cycle the following losses to the Road Fund would not be felt until February 1, 2001. Therefore, MoDOT staff assume the loss for FY01 will be sustained over 5 months.

MoDOT assumed that 1% of gasoline powered passenger vehicles will convert to gasoline/electric vehicles. MoDOT also assumed the average miles driven per year is 12,000 miles at the quoted 60 miles per hour fuel economy for gasoline/electric vehicles while gasoline vehicles have fuel economy of 20 miles per gallon. Based on these assumptions the loss to the road fund from the state gasoline tax will be: $681,000 in FY01; $1,659,000 in FY02; $1,684,000 in FY03; $1,709,000 in FY04; and $1,735,000 in FY05.

Based on the previous assumptions, there will also be a loss in the federal gas tax revenues that will be collected and later deposited into the Road Fund. However, due to the federal appropriations process, the loss will not begin until FY03. The loss of federal revenue from the use of gasoline/electric vehicles will be $530,000 in FY03; $1,292,000 in FY04; $1,311,000 in FY05; and $1,331,000 in FY06.

Cities and counties will also experience losses due to this legislation. The effects from the reduced revenue from the state gas tax will be $170,000 in FY01; $415,000 in FY02; $421,000 in FY03; and $427,000 in FY04. The effects from the reduced revenue from the federal tax will be an additional $133,000 in FY03; $323,000 in FY 04; $328,000 in FY05; and $333,000 in FY06.

ASSUMPTION (continued)

Officials of the **Department of Natural Resources (DNR)** state this bill could be implemented with existing resources.

Officials of the **Office of Administration (COA)** state the number of alternative fuel vehicles currently manufactured is approximately 4,000 a year. The majority of those vehicles are sold/leased in the state of California. Therefore the revenue estimate for this proposal would be an unknown loss based on the number of alternative fuel vehicles purchased or leased and the amount of the income tax credit allowed.

Oversight assumes, for purposes of this fiscal note, that the number of taxpayers that would convert to alternative fuel vehicles is unknown. **Oversight** also assumes that the intent of this proposal is to encourage the purchase of alternative fuel vehicles. **Oversight** assumes this proposal would reduce the number of gasoline only operated vehicles purchased. This would have a negative unknown impact on Highway Funds and possibly federal gas tax funds.

The income tax credits allowed in this proposal would have a negative impact on General Revenue Funds. Since the number of taxpayers that would convert to alternative fuel vehicles is unknown, the loss to General Revenue for the income tax credit is unknown.

FISCAL IMPACT - State Government	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
Loss to General Revenue Fund			
Income tax credit for Alternative Fuel Vehicles	(Unknown)	(Unknown)	(Unknown)
HIGHWAY FUND			
Loss to Highway Fund			
Decrease in State gas tax revenues	(Unknown)	(Unknown)	(Unknown)
FEDERAL FUNDS			
Loss to Federal Funds			
Decrease in Federal gas tax revenues	$0	$0	(Unknown)

FISCAL IMPACT - Local Government	FY 2001 (10 Mo.)	FY 2002	FY 2003
Loss to Cities and Counties			
Decrease in State gas tax revenues	(Unknown)	(Unknown)	(Unknown)
Decrease in Federal gas tax revenues	$0	$0	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Small Business

This proposal would fiscally impact small businesses that construct a facility which is available to the public for the purposes of recharging alternative fuel motor vehicles. Those businesses would be entitled to an income tax credit in the amount equal to the lesser of 25% of the cost of construction of the facility or $20,000.

DESCRIPTION

For tax years 2001 to 2005, this bill establishes an income tax credit of the lesser of $9,000 or 30% of the cost of purchasing or leasing an alternative fuel vehicle. To be eligible, leases must be for a term of at least 3 years. The credit is non--refundable and may be carried forward for up to 5 years if the taxpayer maintains registration of the vehicle. Eligible vehicles are those powered by electricity or those powered by electricity and gasoline with fuel economy greater than 60 miles per gallon. The bill also establishes a tax credit of the lesser of $20,000 or 25% of the cost of constructing a vehicle charging facility open to the public. This credit may be carried forward for 7 years if the taxpayer maintains operation of the facility.

Alternative fuel vehicles must be registered and titled, and manufacturers are required to provide information on purchase incentives and certification that the vehicle meets alternative fuel capability requirements. The bill also bans electric vehicles not capable of speeds over 25 miles per hour from roads with speed limits of more than 35 miles per hour.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Missouri Department of Transportation
Office of Administration
Department of Natural Resources

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Director
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